

## Message Text

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ORIGIN ABF-01

INFO OCT-01 EA-10 ISO-00 EB-08 /020 R

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TAGS: AGAO, EMIN, KS

SUBJECT: GAO REVIEW: "ASSESSMENT OF INCREASING RELIANCE OF  
U.S. MANUFACTURERS ON FOREIGN PROCESSED MATERIALS"

1. THE GAO HAS INFORMED THE DEPARTMENT THAT SUBJECT REVIEW WHICH HAS BEEN IN PROGRESS AT U.S. GOVERNMENT AGENCIES AND PRIVATE COMMERCIAL FIRMS WILL BE BROADENED TO INCLUDE THE TRANSMISSION OF SPECIFIC QUESTIONS TO SELECTED OVERSEAS POSTS IN LATIN AMERICA, AFRICA, ASIA, AND EUROPE. PURPOSE OF THESE INQUIRIES WILL BE TO OBTAIN COMPARATIVE INFORMATION AS TO WAYS FOREIGN GOVERNMENTS ARE INFLUENCING INVESTMENT DECISIONS FOR MINING AND MINERAL PROCESSING FACILITIES IN THE ALUMINUM, COPPER, ZINC AND FERROALLOY INDUSTRIES.

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2. THE GAO WOULD APPRECIATE THE POST'S ASSISTANCE IN PROVIDING ANSWERS FROM AVAILABLE RRSUBCEC TO TOREA'S QUESTIONS AS THEY APPLY TO THE REPUBLIC OF KOREA'S ALUMINUM, COPPER, ZINC AND FERROALLOY INDUSTRIES. THE GAO WOULD LIKE TO RECEIVE THIS INFORMATION BY OCTOBER 15 SO THAT IT CAN BE INCORPORATED INTO ITS FINAL REPORT. TO FACILITATE THE TRANSMISSION AND DELIVERY OF THE REQUESTED

DATA, IT IS RECOMMENDED THAT THE POST USE AIRGRAMS OR CABLES AND AIR POUCH MATERIALS TO THE DEPARTMENT ADDRESSED TO THE GAO LIAISON STAFF OFFICE, A/BF/OAG, ROOM 4253.

-- A. HOW DOES THE ROK GOVERNMENT VIEW THE FUTURE OF THESE INDUSTRIES? WHAT IS THE PRESENT AND PROJECTED SMELTING AND REFINING CAPACITY FOR THESE METALS? WHAT IS PRESENT AND FORECAST KOREAN DOMESTIC DEMAND FOR THESE METALS?

-- B. WHAT IS THE GOVERNMENTS ROLE IN THE DEVELOPMENT OF THE NON-FERROUS AND FERROALLOYS INDUSTRIES? IS THERE ANY ROK GOVERNMENT EQUITY PARTICIPATION OR LOAN GUARANTEE ACTIVITIES IN THE MINING/METALS PROCESSING SECTOR?

-- C. WHAT IS THE RELATIONSHIP BETWEEN EMPLOYMENT FOREIGN EXCHANGE AND TRADE POLICIES, AND THE LEVEL OF ALUMINUM, COPPER, ZINC AND FERROALLOY PRODUCTIONS?

-- D. HOW DO COMPANIES OBTAIN FINANCING FOR MINING AND PROCESSING PROJECTS? WHAT IS THE ROLE OF THE KOREA DEVELOPMENT BANK, KOREAN INVESTMENT AND FINANCE CORPORATION AND KOREAN DEVELOPMENT FINANCE CORPORATION IN THE DEVELOPMENT OF THE KOREAN MINING AND METAL PROCESSING SECTOR?

-- E. DOES ROK PRICE CONTROL AUTHORITY FOR ALUMINUM, LIMITED OFFICIAL USE

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COPPER AND ZINC INGOTS INFLUENCE INVESTMENT IN THE PRODUCTION OF THESE METALS?

-- F. HOW DOES THE WAGE STRUCTURE IN THE KOREAN MINING/PROCESSING INDUSTRY COMPARE WITH THAT OF THE UNITED STATES?

-- G. ARE THERE ANY SPECIFIC TAX POLICIES DESIGNED TO ENCOURAGE DEVELOPMENT IN THE MINING AND MINERAL PROCESSING INDUSTRIES? DOES ROK TAX CODE PROVIDE FOR MINE DEPLETION ALLOWANCES? WHAT TIME PERIODS ARE ACCEPTABLE FOR COMPUTING PLANT AND EQUIPMENT DEPRECIATION FOR MINES AND METALS SMELTERS AND REFINERIES? DOES ROK TAX CODE PROVIDE FOR RAPID RECOVERY OF INVESTMENT IN POLLUTION CONTROL EQUIPMENT? IS REPLACEMENT COST RATHER THAN HISTORICAL COST AN ACCEPTABLE BASIS FOR COMPUTING DEPRECIATION OF MINE/SMELTER/REFINERY EQUIPMENT?

-- H. WHAT ROK ENVIRONMENTAL REGULATIONS SUCH AS AIR AND WATER QUALITY STANDARDS AND LAND USE RESTRICTIONS APPLY TO MINING, METAL SMELTING/REFINING OPERATIONS? DO ROK ENVIRONMENTAL REGULATIONS HAVE STANDARDS FOR SULFER

DIOXIDE EMISSION CONTROL FOR COPPER SMELTERS? IF YES,  
WHAT IS ACCEPTABLE CONTROL METHOD? IS STACK DISPERSION  
CONSIDERED ACCEPTABLE METHOD FOR MAINTAINING AIR  
QUALITY?

-- I. CAN COPPER SMELTERS IN KOREA PROFITABLY SELL THEIR  
BY-PRODUCT SULFURIC ACID? ARE ENVIRONMENTAL STANDARDS  
APPLIED TO ALL FACILITIES OR JUST NEW OPERATIONS? ARE  
STANDARDS WAIVED OR MADE LESS STRINGENT FOR OPERATIONS  
IN REMOTE/UNPOPULATED AREAS?

-- J. DOES ROK IMPROVE WORKER SAFETY REGULATIONS SIMILAR  
TO U.S. OSHA? IF SO, WOULD THEY INFLUENCE INVESTMENT DE-  
CISIONS FOR THE SUBJECT METALS?  
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-- K. HOW DO ENERGY AVAILABILITY AND COST CONSTRAINTS  
AFFECT DEVELOPMENT OF THE ALUMINUM, COPPER, ZINC, AND  
FERROALLOY INDUSTRIES IN KOREA? DO INDUSTRIAL METAL  
PRODUCERS RECEIVE LONG RANGE ENERGY SUPPLY COMMITMENTS  
AND/OR FAVORABLE ENERGY RATES COMPARED TO OTHER  
INDUSTRIAL ENERGY USERS?

-- L. DOES ROK GOVERNMENT PARTICIPATE IN THE NEGOTIATION  
OF LONG-TERM SUPPLY CONTRACTS WITH FOREIGN ORE/CON-  
CENTRATE SUPPLIERS? WHAT SPECIFIC METHODS ARE USED TO  
SAFEGUARD THE SUPPLY OF OVERSEAS RESOURCES?

-- M. WHAT MEASURES ARE THE ROK GOVERNMENT USING TO  
STIMULATE MINERAL EXPLORATIONS DOMESTICALLY?

-- N. HOW LONG DOES IT TAKE TO COMPLETE A NEW ZINC/  
COPPER SMELTER/REFINERY IN KOREA I.E., ELAPSED TIME FROM  
DECISION TO BUILD UNTIL FACILITY OPENS--WOULD LIKE ONE  
OR TWO EXAMPLES.

3. IT WOULD ALSO BE APPRECIATED IF THE POST WOULD  
IDENTIFY ANY AIRGRAMS OR OTHER MATERIALS PREPARED BY THE  
MISSION DEALING WITH ISSUES MENTIONED ABOVE WHICH HAVE  
BEEN SUBMITTED TO THE DEPARTMENT.

4. IT IS THE DEPARTMENT'S POLICY TO BE OF ASSISTANCE TO  
THE GAO AND TO BE AS HELPFUL AS POSSIBLE WITHIN THE GUIDE-  
LINES OF 4 FAM 930-934. ANY QUESTIONS OR PROBLEMS THAT  
SHOULD ARISE DURING THE COURSE OF THIS EFFORT, PARTICU-  
LARLY REGARDING GAO ACCESS TO INFORMATION SHOULD BE  
REFERRED TO THE DEPARTMENT. CHRISTOPHER

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